

United States District Court
For the Northern District of California

1 E-PASS TECHNOLOGIES, INC.,)
2 Plaintiff,)
3 v.)
4) No. C-00-2255-DLJ
5 3COM CORP. AND PALM, INC.,) No. C-03-4747 DLJ
6 Defendant.) No. C-04-0528 DLJ
7) Related Cases
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ORDER

E-PASS TECHNOLOGIES, INC.
Plaintiff,
v.

VISA INTERNATIONAL SERVICE
ASSOCIATION, and VISA U.S.A.,
INC.
Defendant.

E-PASS TECHNOLOGIES, INC.

Plaintiff,
v.

PALMONE, INC., PALMSOURCE,
INC. AND HANDSPRING, INC.

Defendants.

In April 2006, the defendants filed motions for attorneys' fees. On November 21, 2006, the Court granted the Motions for Attorneys' Fees in the following cases: E-Pass v. PalmOne, cases C-00-2255 and C04-0528; E-Pass v. Visa USA and Visa International Service Association, case C-03-4747; and E-Pass v. PalmSource, case C-04-0528;. The Court held that each party was entitled to an award of attorney fees and was to submit to the Court an accounting

1 detailing their expenses. E-Pass would then have an opportunity to
2 respond. The parties submitted their statements. Subsequently, the
3 Federal Circuit entered an Order upholding this Court's granting of
4 summary judgment against E-Pass and denying E-Pass's appeal. This
5 action led plaintiffs to file additional briefing with the Court on
6 the issue of the scope of their entitlement to fees. The Court now
7 resolves all outstanding fee related issues.

9

10 I. Background

11 The background of the underlying action is set out in detail in
12 this Court's Order of November 21, 2006. On April 3, 2006 all
13 defendants filed motions to recover reasonable attorneys fees and
14 costs under 35 U.S.C. § 285. The Visa entities also sought
15 sanctions under 28 U.S.C. § 1927, arguing that E-Pass had
16 unreasonably and vexatiously multiplied the proceedings. The Visa
17 entities sought these sanctions both against E-Pass and also against
18 its counsel. In its Order of November 21, 2006 the Court found that
19 each of the following cases was exceptional under 35 USC § 285: E-
20 Pass v. Visa USA (Case 03-4747); E-Pass v. Visa International (Case
21 03-4747); E-Pass v. PalmSource (Case 04-0528); and E-Pass v.
22 PalmOne, (Cases 00-2255 and 04-0528).

23 In the same Order, the Court decided, in the exercise of its
24 discretion under 35 USC § 285 to award Visa USA all of its fees and
25 costs incurred in Case 03-47447. See Order of November 21, 2006 at
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1 45:11-19. In E-Pass v. Visa International, Case 03-4747, the Court
2 granted the motion for attorney fees under 35 USC § 285, but only as
3 to expenses solely incurred for defense of infringement claims based
4 on the Palm VII, the Zire, the Tungsten and the Treo products. In
5 the Visa International case the Court deferred a decision on
6 attorney fees for all other purposes until the conclusion of the
7 Federal Circuit appeal.

9 Similarly, the Court granted the motion for attorney fees under
10 35 USC § 285 in E-Pass v. PalmOne, but only as to expenses incurred
11 after remand of case 00-2255 from the Federal Circuit, and only as
12 to expenses solely incurred for defense of infringement claims based
13 on the Palm VII, the Zire, the Tungsten and the Treo products. At
14 that point the Court deferred decision on attorney fees for all
15 other purposes until the conclusion of the Federal Circuit appeal.
16 Finally, the Court granted the Motion for Attorney Fees in E-Pass v.
17 PalmSource (Case 04-0528).

19 The Federal Circuit heard oral argument on E-Pass' appeal on
20 December 4, 2006 and rendered a decision on January 12, 2007. The
21 Federal Circuit affirmed this Court's granting of summary judgment
22 in all respects. See E-Pass Technologies, Inc. v. 3Com Corp., et.
23 al., 473 F.3d 1213 (Fed. Cir. 2007). On January 26, 2007 E-Pass
25 petitioned for a rehearing and a rehearing *en banc*. The Federal
26 Circuit denied both requests on February 21, 2007 and issued its
27 mandate on February 26, 2007. Subsequent to the Federal Circuit's
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1 orders, the parties filed renewed motions for attorney's fees
2 seeking fees on those issues which this Court had deferred ruling
3 upon pending the Federal Circuit appeal. E-Pass filed responsive
4 pleadings to the renewed motions. Therefore the issues which this
5 Court had deferred until resolution of the appeal are also now
6 before the Court.

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9 **II. Legal Standard**

10 Defendants have brought their request for attorney fees
11 pursuant to Federal Rule of Civil Procedure 54(d)(2)(B); Civil Local
12 Rule 54-6, and 35 U.S.C. § 285. 35 U.S.C. § 285 provides: "[t]he
13 court in exceptional cases may award reasonable attorney fees to the
14 prevailing party." The purpose of the statute is to "compensate the
15 prevailing party for its monetary outlays in the prosecution or
16 defense of the suit." Automated Business Cos. v. NEC Am., Inc., 202
17 F.3d 1353, 1355 (Fed. Cir. 2000) quoting Central Soya Co. v. Geo. A.
18 Hormel & Co., 723 F.2d 1573, 1578 (Fed. Cir. 1983). The party
19 seeking attorney fees must prove by clear and convincing evidence
20 that the case is "exceptional." Monster Cable Prods. v. Quest
21 Group, 2005 U.S. Dist. Lexis 23466, *10 (N.D. Cal. 2005).

22 The Court must engage in a two part test to determine whether
23 to award a party attorney fees under § 285. The court must first
24 make a factual determination as to whether the case is
25 "exceptional." If the Court decides that it is an "exceptional"
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1 case, then it may use its discretion to determine whether or not an
2 award of attorney fees is appropriate. See Interspiro v. Figgie
3 Int'l, 18 F.3d 927, 933 (Fed. Cir. 1994).

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5 III. Discussion

6 A. The Visa Defendants

7 1. Visa USA

8 As noted above, the Court is required first to determine as a
9 matter of fact whether the case was "exceptional." Interspiro v.
10 Figgie Int'l, 18 F.3d 927, 933. This Court has concluded that the
11 case against Visa USA is "exceptional" within the meaning of 35
12 U.S.C. § 285.

13 This Court had awarded Visa USA all of its fees and costs. The
14 Visa entities combined seek a total of \$1,112,935.50 in attorney
15 fees and \$28,714.90 in costs. According to the declaration of Julie
16 Han in support of the fee request, the Townsend law firm represented
17 both Visa USA and Visa International in the suit. Both Visa USA and
18 Visa International share equally in the fees and expenses incurred
19 on the action. "Each party pays 50% of the fees and costs billed by
20 Townsend." Han Decl. of January 8, 2007 at ¶ 2.

21 While the Court awarded all of its fees to Visa USA, E-Pass
22 still requests that the Court scrutinize Visa USA's fee request
23 arguing that "Visa U.S.A.'s defense focused on establishing that it
24 did not attend the Palm V presentations at issue." See E-Pass
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1 Response of February 27, 2007 at 3:1-2. Since E-Pass steadfastly
2 refused throughout the litigation to clarify its contentions, the
3 Court will not limit Visa USA's fee request. There is no question
4 that Visa USA was required to address much more throughout the
5 litigation than merely its presence at the demonstrations. The
6 Court, therefore, awards Visa USA \$556,467.75 in attorney fees and
7 \$14,357.45 in costs, subject to the reductions discussed below.

9 2. Visa International

10 As to Visa International, the Court ultimately concluded
11 that E-Pass had engaged in vexatious or unjustified litigation and
12 that the suit against Visa International was frivolous, warranting a
13 determination that the litigation was "exceptional" under § 285.
14 See Amsted Indus., Inc. v. Buckeye Steel Castings Co., 23 F.3d 374,
15 376 (Fed.Cir.1994). This Court had left open the total scope of the
16 award of fees and costs to Visa International pending the Federal
17 Circuit's determination. As noted above, the original fee award
18 covered only fees related "solely incurred for defense of
19 infringement claims based on the Palm VII, the Zire, the Tungsten
20 and the Treo products." The Court deferred deciding at that point
21 any award of fees relating to the Palm V.

22 On appeal, the Federal Circuit concurred with this Court's
23 analysis that E-Pass had failed entirely to present evidence of
24 infringement. The Federal Circuit referred to E-Pass's position as
25 "fatally flawed," and noted that "[e]ven when all of the evidence
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1 that E-Pass cites to is accounted for, its claim cannot survive
2 summary judgment." Similarly, the Federal Circuit rejected E-Pass's
3 argument under the doctrine of equivalents finding E-Pass's efforts
4 to demonstrate infringement under that doctrine to be "totally
5 defective."

6 As the basis for their renewed request for fees, Visa
7 International argues that as E-Pass never clearly defined the scope
8 of its infringement contentions, that the Visa entities were forced
9 to litigate throughout this case "not only the infringement charges
10 with respect to the two demonstrations, but also those with respect
11 to other unspecified activities." See Visa Accounting at 2:13-22.
12 Visa asserts it should therefore be entitled to recoup all of its
13 fees, not just those for the CES and in-house demonstration.

14 For ease of Court review, the Visa entities have broken the
15 fees and costs down into time periods. Again, as noted above, each
16 of the fee and costs figures below represents the total amount
17 incurred by Visa USA and Visa International, which the Visa entities
18 argue should be split in half for each.

19 The first time period is October 2003 until April 12, 2005.
20 This period covers the period from the filing of the Complaint
21 against Visa until the ruling on the original motion to dismiss. As
22 noted above. In its order on Visa's motion to dismiss, the Court
23 found the E-Pass's allegations "minimalist" and "conclusory" but
24 sufficient to survive a motion to dismiss. Visa seeks a total of
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1 \$122,631 in fees and costs of \$5,111.20 for this time period.

2 The second time frame for which the Visa entities seek fees is
3 from the April 12, 2004 Order on the Motion to Dismiss until the
4 June 8, 2004 Order on Status Conference. During this April to June
5 time period, the Visa entities were preparing answers, counterclaims
6 and preparing for the Joint Case Management Conference. The total
7 of fees for this time period were \$51,703 and costs equaling
8 \$284.43.

10 The third time period is from June 8, 2004 until the October
11 29, 2004 Summary Judgment motion hearing. During this time period,
12 Visa argues that it was responding to discovery requests and
13 preparing and filing a motion for summary judgment. The fees
14 associated with this time period are \$180,211 and costs equaling
15 \$6,733.66.

17 The fourth time period is from the October 29, 2004 Summary
18 Judgment hearing until the February 25, 2005 Claim Construction
19 Order. During this time period, Visa conducted claim construction
20 proceedings including making disclosures, and filing their claim
21 construction brief as well as preparing for and attending the claim
22 construction hearing. The total of fees for these activities was
23 \$130,175 and costs of \$5,123.94.

25 The fifth time period is February through May 2005. During
26 this time period the Visa entities were responding to further
27 discovery requests and also filing supplemental summary judgment
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1 motions. As E-Pass argued at the summary judgment hearing that the
2 Court should not rule on the motions as E-Pass had not had
3 sufficient opportunity to take discovery. The Court granted E-Pass'
4 request. The total of fees incurred by the Visa entities during
5 this time frame was \$213,065.50 and an additional \$2,809.29 in
6 costs.
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8 The sixth time period, was from May 2005 until August 31, 2006.
9 During these months the Visa entities were gathering responsive
10 discovery materials and filing for a protective order regarding
11 access by its counsel, Stephen Weiss, to the materials. The
12 Magistrate Judge ordered a hearing on the issues encompassed in the
13 protective order. Ultimately, the Magistrate Judge denied Visa's
14 request for a protective order. In August 2005 the Visa entities
15 filed additional motions for summary judgment. In March of 2006, the
16 Court granted these motions for summary judgment. Total fees
17 requested for this time period are \$213,065.50 and \$2,809.29 in
18 fees.
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20 E-Pass raises numerous objections to the Court granting the
21 Visa entities fees request. E-Pass first argues that the Visa
22 entities have requested "all" fees" and not "reasonable" attorney
23 fees as authorized under 35 U.S.C. § 285. E-Pass argues that the
24 fees requested are not reasonable because: (1) they request fees for
25 work done in conjunction with the Palm V, which the Court excluded
26 from recovery; (2) they request fees for unrelated proceedings such
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1 as motions to disqualify plaintiff's counsel, seeking protective
2 orders, reviewing briefs from an ancillary law suit, searching for
3 expert witnesses, and preparing for appeal; (3) that the amount
4 requested must be reduced as it contains requests for hours which
5 are excessive and/or redundant; (4) that the request impermissibly
6 seeks Expert-Related Fees; and (5) that Visa has asked for
7 impermissible overhead costs. E-Pass also asserts that since the
8 hours requested cover topics beyond those permitted to be recovered
9 by Visa International under this Court's November 11, 2006 Order,
10 that the fee request is really in the nature of an impermissible
11 motion for reconsideration. Finally, E-Pass takes issue with the
12 fact that the Visa entities have simply split the fees down the
13 middle for the separate legal entities: Visa USA and Visa
14 International. Visa seeks to have the Court enter a fees Order
15 against both E-Pass and its counsel jointly. The Court will now
16 review each of these contentions.

19 (A) Fees for the Palm V?

21 As noted above, E-Pass asserts that the Visa fee request covers
22 work performed regarding the Palm V, which was outside the scope of
23 the Court's November 21, 2006 Order. While this argument had merit
24 prior to the issuance of the Federal Court Order on the appeal, the
25 November 21, 2006 Order made it clear that the issue of whether Visa
26 could seek fees for the Palm V could be revisited upon issuance of
27 the Federal Circuit Order.

1 In its Order, the Federal Circuit not only affirmed this
2 Court's finding of summary judgment, but it concluded that E-Pass's
3 arguments were "fatally flawed" and, more specifically, that E-Pass
4 had presented no evidence to support its claims. E-Pass's choice of
5 litigation strategy forms the basis for the Court's sanction award.
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7 The Federal Circuit's Order serves only to affirm this Court's
8 finding that sanctions are warranted, and are warranted on all
9 aspects of the litigation, including claims based on the Palm V.

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11 (B) Fees for "Collateral" Proceedings

12 E-Pass argues the Visa defendants' billing records reveal that
13 Visa spent time on matters which were collateral to the case, such
14 as seeking to disqualify E-Pass' counsel, reviewing briefs in
15 related litigation, and seeking protective orders regarding
16 documents. The Court concurs that these matters are peripheral to
17 the core of the case and grants E-Pass' request to strike
18 \$150,416.09 in fees as outlined in the Weiss Declaration of February
19 21, 2007. (Half of this amount is to be subtracted from the award
20 to Visa International and half from Visa USA.)

21 Similarly, the fee request includes entries for work related to
22 the appeal. As fees for work on the appeal are outside the
23 jurisdiction of this Court, this amount, \$114,988.64 should also be
24 stricken.

25 While the case was on appeal, Visa filed with the Federal
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1 Circuit a motion for sanctions under Rule 38 based on the argument
2 that the appeal was frivolous. The Federal Circuit denied the
3 motion. E-Pass now asserts because the Federal Circuit did not
4 award Visa sanctions for the appeal, this Court cannot award further
5 sanctions. This argument has no basis in fact or law. This Court
6 still has authority under 28 U.S.C. § 1927 to determine whether
7 sanctions are appropriate.

8 E-Pass also argues that Visa's Renewed Request for sanctions is
9 an impermissible request for reconsideration. In so arguing, E-Pass
10 ignores the language of the November 2006 Order. In its Order of
11 November 2006, this Court specifically reserved the issue of whether
12 additional sanctions might be imposed upon completion of the appeal,
13 so E-Pass has been on notice of the Court's position on additional
14 sanctions and Visa's renewed request was contemplated by that Order.
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18 (C) Reasonable Fees

19 E-pass argues to the Court that Visa's fees are excessive and
20 redundant and should be reduced. As support for the proposition
21 they cite to Hensley v. Eckerhart, 461 U.S. 424 (1983) Hensley does
22 stand for the proposition that the district court should exclude
23 from this initial fee calculation hours that were not "reasonably
24 expended . . . Cases may be overstaffed, and the skill and experience
25 of lawyers vary widely. Counsel for the prevailing party should make
26 a good faith effort to exclude from a fee request hours that are
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1 excessive, redundant, or otherwise unnecessary, just as a lawyer in
2 private practice ethically is obligated to exclude such hours from
3 his fee submission. Id. At 434. In Hensley, however, the Supreme
4 Court looked at the issue of the reasonableness of the hours
5 requested as part of its analysis about the level of victory
6 achieved by the prevailing party. Here, as defendants prevailed in
7 their entirety, the proscriptions of Henley do not apply.

9 The Weiss Declaration identifies fees it contends to be
10 excessive. The Court disagrees and finds that the identified items
11 are not shown to be excessive. Based on that finding, any further
12 consideration by the Court as to the requested deductions would
13 require the Court to engage in an unwarranted level of second-
14 guessing.
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16 (D) Expert-Related Fees

17 E-Pass requests reductions based on its argument that Visa
18 impermissibly seeks fees related to expert witnesses. E-Pass cites
19 to Amsted Industries Inc. v. Buckeye Steel Castings Co., 23 F.3d
20 374, 379 (Fed. Cir. 1994) as support. In Amsted, a patent case, the
21 district court granted Amsted's motion for enhanced damages and
22 attorney fees under 35 U.S.C. §§284, 285. The fee request, which
23 was granted in full, included expert witness fees of \$46,453.61. On
24 appeal, the Federal Circuit held that recovery of expert witness
25 fees was outside the purview of the statute. Visa is not seeking
26 reimbursement for expert witness fees. As E-Pass recognizes, the
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1 fees requested are for attorney efforts related to the potential
2 need for experts. While E-Pass claims that these efforts were
3 premature, again the Court will not second-guess reasonable attorney
4 conduct of a litigation strategy for the case.
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6 (E) Overhead Costs

7 E-Pass seeks to have the Court strike \$616.35 in fees
8 attributable to librarians and other overhead-related time. Howes
9 v. Medical Components, Inc., 761 F.Supp. 1193 (E.D.PA. 1990), cited
10 by E-Pass, does in fact stand for the proposition that in a patent
11 case, charges for overhead, such as expenses for secretarial time,
12 word processing equipment, and library services should not be
13 allowed. See also PPG Industries, Inc. v. Celanese Polymer
14 Specialties Co., 658 F.Supp. 555, 559 (W.D.Ky.1987); Trend Products
15 Co. v. Metro Industries Inc., 10 U.S.P.Q.2d 1539 (C.D.Cal.1989).
16 Thus, the Court disallows the overhead charges requested by Visa in
17 the amount of \$616.35 as set out in the Weiss Declaration.
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19 (F) Award Against Counsel

20 Visa urges the Court to make both E-Pass and its counsel
21 jointly and severally liable for any fee award. This fee request is
22 based on Visa's assertion that as of March 2007 E-Pass had not paid
23 the Visa entities the costs taxed by the Clerk of Court in the fall
24 of 2006. Neither had E-Pass paid the costs awarded to Visa by the
25 Federal Circuit. As support for its argument that sanctions are
26 appropriate against both E-Pass and its counsel, Visa cites 28
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1 U.S.C. § 1927 (2207), which provides in pertinent part that "[a]ny
2 attorney . . . who so multiplies the proceedings in any case
3 unreasonably and vexatiously . . ." may have sanctions imposed
4 against him. Visa looks to Phonometrics, Inc. v. Westin Hotel Co.,
5 350 F.3d 1242 (Fed. Cir. 2003) as the basis for this Court being
6 able to award sanctions jointly against E-Pass and its counsel.
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8 In Phonometrics, after the District court entered judgment in
9 favor of Westin, Westin requested attorney fees and costs pursuant
10 to both 35 U.S.C. § 285 and 28 U.S.C. § 1927. The District court
11 found that Phonometrics' continued maintenance of their action after
12 the Federal Circuit had issued an opinion in a related matter
13 clearly invalidating their position, was "vexatious, supported an
14 'inference of bad faith' and 'resulted in unjustified multiplication
15 of proceedings.'" The District court imposed liability in
16 Phonometrics for all attorney fees and costs incurred by Westin
17 pursuant to 35 U.S.C. § 285 and on Phonometrics' counsel pursuant to
18 28 U.S.C. §1927. The District Court also held that Phonometrics
19 never articulated a viable infringement theory. This finding was
20 upheld on appeal. The court further found that Phonometrics
21 "continued to litigate this case knowing that its claim could not
22 meet the standard for infringement" therefore violating section
23 1927. See Avirgan v. Hull, 932 F.2d 1572, 1582 (11th Cir.1991)
24 (affirming an award of fees and costs pursuant to 28 U.S.C. § 1927,
25 noting "[w]hen it becomes apparent that discoverable evidence will
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1 not bear out the claim, the litigant and his attorney have a duty to
2 discontinue their quest"). The award of fees against counsel was
3 also based in part on the long history of the case and of related
4 cases all in front of the same judge. The District Court held that
5 each case which had been resolved in a way which undercut
6 Phonometrics case "presented Phonometrics and its counsel not merely
7 the opportunity, but the obligation, to reconsider the viability of
8 Phonometrics' claims in light of the evidence, and to refrain from
9 further prosecution. Phonometrics never chose the latter course,
10 even when that opportunity was specifically presented." Id.

11 In many ways the Phonometrics case is similar to the case at
12 bar, but it is not exactly on point. Both this Court and the Federal
13 Circuit have found that despite ample opportunity, E-Pass presented
14 no evidence of infringement. See also Byrnes v. Lockheed-Martin,
15 Inc., where the fact that plaintiff had lack of evidence to file a
16 defamation claim becomes clear at plaintiff's deposition, but
17 plaintiff's counsel specifically refused to dismiss the claim after
18 receiving defendants' warning letter regarding sanctions.

19 Additionally, like Phonometrics, E-Pass has throughout the
20 litigation morphed its contentions to fit whatever argument it
21 thought would allow it to survive to the next proceeding.

22 Despite these similarities, the E-Pass cases still does not
23 rise to the level of egregious conduct found in Phonometrics. Absent
24 the blatant and sustained abuse of the court process which occurred
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1 in that case, this Court does not see the joint award of fees
2 requested here as sound policy. Moreover, other cases on the issue
3 of joint sanctions suggest that the Court proceed very cautiously in
4 this regard. Toth v. Trans World Airlines, Inc., 862 F.2d 1381,
5 1386 (9th Cir. 1988). In Toth, appellants did not fully comply with
6 the magistrate's discovery orders. By the date of the hearing on the
7 motion to dismiss appellants had yet to comply with the magistrate's
8 discovery orders. The court granted appellants two extensions of
9 time within which to comply with the outstanding orders. By the time
10 of the third hearing appellants still had not fully complied with
11 the district court's orders and therefore the Court dismissed the
12 case and imposed sanctions jointly against Thornally and Toth. On
13 appeal the Ninth Circuit found the joint award to be an abuse of
14 discretion to the extent that such expenses were not "incurred as a
15 result of plaintiff's and plaintiff's counsel's disobedience of ...
16 Court[] orders." In contrast, counsel for E-Pass did not disobey
17 any specific order of the Court. Inability to reach agreement with
18 opposing counsel did give rise to numerous motions both before the
19 Magistrate Judge and before this Court, but none of those motions
20 resulted in sanctions for non-compliance. Given the record as a
21 whole, the Court finds that while counsel for E-Pass made tactical
22 decisions which had the effect of prolonging the proceedings, those
23 actions were not so egregious as to warrant a joint award of
24 attorney fees.
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1 B. The Palm Defendants' Motion for Attorney Fees2 1. PalmSource

3 In its Order of November 21, 2006 the Court found that the
4 cases involving palmOne and PalmSource had "a litigation history of
5 questionable pre-filing investigation and a discovery strategy of
6 unwarranted delay and obstruction, which supported a finding that
7 they are 'exceptional'."

8 In its Order of November 21, 2006, this Court found that E-
9 Pass's allegations of inducing infringement against PalmSource had
10 changed over time. After undergoing many permutations, E-Pass's
11 ultimate infringement contentions reverted back to the overly spare
12 format which the Court had found unacceptable in two prior rounds of
13 motions for inadequate disclosure under the Court's local rules for
14 patent cases.

15 As the Court noted in its March 17, 2006 Order, "there is no
16 evidence that the patented method has ever been practiced on any one
17 the [accused] devices." All of the above, left PalmSource arguing
18 that it should never have been a party to this case, and that as a
19 party, Palmsource was "unnecessarily abused" by E-Pass. See August
20 11, 2006 Hearing Transcript at 28:14-18.

21 On January 5, 2007 PalmSource submitted an accounting of
22 expenses incurred. This accounting requested fees and expenses in
23 the amount of \$1,026,333.50 in fees and \$32,432.57 in costs related
24 to the resolution of the case including expenses for bringing the
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1 motion for attorney fees but did not include costs related the
2 appeal of the case. See PalmSource Accounting dated January 5, 2007
3 at p.2.

4 E-Pass makes many of the same arguments against PalmSource that
5 it made against Visa and which are discussed in greater detail
6 above.

7 (A) Fees for "Collateral" Proceedings

8 E-Pass argues that the PalmSource defendants' billing records
9 reveal that PalmSource spent time on matters which were collateral
10 to the case, such as seeking to disqualify E-Pass' counsel and
11 reviewing briefs in related litigation. Unlike the Court's Order in
12 regard to Visa and to the other Palm defendants which was limited on
13 the topics about which those defendants could seek fees, the Order
14 did not contain similar limitations for PalmSource. Nonetheless, the
15 Court finds that these matters where peripheral to the core of the
16 litigation and excludes from recovery fees in the amount of
17 \$86,521.50 for these ancillary matters.

18 (B) Reasonable Fees

19 E-pass argues to the Court that PalmSource's fees are excessive
20 and redundant and should be reduced. As support for the proposition
21 they cite to Hensley v. Eckerhart, 461 U.S. 424 (1983) As discussed
22 above, Hensley is not directly on point. Again, while the Weiss
23 Declaration identifies fees it terms as excessive, the Court finds
24 that the identified items are not so excessive as to require
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1 reduction, and for the Court to make the requested deductions would
2 require the Court to engage in a level of second-guessing which is
3 not warranted.

4 (C) Expert-Related Fees

5 E-Pass requests reductions based on its argument that
6 PalmSource impermissibly seeks fees related to expert witnesses.
7 Amsted Industries Inc. v. Buckeye Steel Castings Co., 23 F.3d 374,
8 379 (Fed. Cir. 1994). Similar to Visa, PalmSource is not seeking
9 reimbursement for expert witness fees. As E-Pass notes, the fees
10 requested are for attorney efforts related to the potential need for
11 experts. While E-Pass claims that these efforts were premature,
12 again the Court will not second guess attorney efforts to conduct
13 the litigation strategy for the case.

14 (D) Fees for Overhead

15 E-Pass seeks to have the Court strike \$234.18 in fees
16 attributable to librarians and other overhead-related time. Howes
17 v. Medical Components, Inc., 761 F.Supp. 1193 (E.D.PA. 1990), cited
18 by E-Pass, does in fact stand for the proposition that in a patent
19 case, charges for overhead, such as expenses for secretarial time,
20 word processing equipment, and library services should not be
21 allowed. See also PPG Industries, Inc. v. Celanese Polymer
22 Specialties Co., 658 F.Supp. 555, 559 (W.D.Ky.1987); Trend Products
23 Co. v. Metro Industries Inc., 10 U.S.P.Q.2d 1539 (C.D.Cal.1989).
24 Thus, the Court disallows the overhead charges requested by
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1 PalmSource in the amount of \$ 234.18 as set out in the Weiss
2 Declaration at Exhibit G.

3 2. The Other Palm Defendants

4 The Palm defendants (3Com, Palm and palmOne) argued that E-
5 Pass's allegations against them were frivolous from the outset and
6 also that E-Pass vexatiously prolonged the litigation, together
7 rising to the level of abusive conduct.

8 The Court found that E-Pass's litigation tactics were similarly
9 abusive to the other Palm defendants as they had been to PalmSource.
10 Throughout the litigation, defendants were forced to expend
11 resources merely to attempt to have E-Pass clearly define its
12 claims. In addition to changing theories of liability, E-Pass
13 altered the scope of allegedly infringing devices as the case
14 progressed, despite representations by plaintiff counsel that it
15 would not do so.

16 Accordingly on November 21, 2006 the Court granted the Palm
17 defendants Motion for Attorney Fees and ordered the Palm defendants
18 to submit an accounting detailing the expenses they incurred in
19 defendant the suit. As per the Order, the submission only included
20 expenses incurred after the remand of Case C00-2255.

21 On January 5, 2007, the Palm defendants submitted a filing
22 requesting a total of \$592,737.50 in attorney fees. This amount was
23 broken down into four separate requests. First, the Palm defendants
24 state that they incurred \$425,016.50 in legal fees in their defense
25

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1 of E-Pass's infringement claims based upon the Palm VII, Zire,
2 Tungsten and Treo products. Second, the Palm defendants seek
3 \$17,351.50 in legal fees in their defense of E-Pass's infringement
4 claims based upon the LifeDrive, which product E-Pass belatedly and
5 improperly attempted to inject into the litigation. Third, the Palm
6 defendants state that as a "proximate result of E-Pass' infringement
7 claims, the Palm defendants developed both invalidity and
8 enforceability defenses regarding the '311 patent. The Palm
9 defendants seek an additional \$118,819.50 in legal fees regarding
10 these defenses. The Palm defendants concede that the Court did not
11 grant these fees in its prior Order, but argue that these fees were
12 a "natural result" of E-Pass' infringement claims.
13

14 Finally, the Palm defendants request \$31,550.00 in legal fees
15 relating to their motion for attorneys' fees and for the work
16 preparing the Bill of Costs. The Palm defendants again assert that
17 they should be awarded these fees, since "but for E-Pass'
18 infringement claims" they would not have been incurred.
19

20 On January 22, 2007, the Palm defendants submitted a
21 supplemental submission. In this pleading, the Palm defendants
22 request an additional \$147,312. This amount represents the legal
23 fees expended responding to E-Pass' appeal to the Federal Circuit of
24 the Order granting summary judgment in favor of defendants.
25

26 E-Pass responds to the Palm defendants' submission as follows:
27 first, E-Pass alleges that the fees sought by the Palm defendants
28

1 exceed those authorized by the November 21, 2006 Order. As noted
2 above, the Court's Order held that fees were awarded to the Palm
3 defendants only as to expenses incurred after remand of case 00-2255
4 from the Federal Circuit and a to expenses solely incurred for
5 defense of infringement claims based on the Palm VII, the Zire, the
6 Tungsten and the Treo products. E-Pass contends that a "close
7 analysis of the Palm Defendants' Accounting reveals that they seek
8 fees that are inconsistent with the Court's Order and settled case
9 law."

11 (A) Reasonable Fees

12 Like its argument against Visa, E-Pass renews its argument that
13 Palm's requested hours are unreasonable. In this instance, E-Pass
14 points to no specific instances as unreasonable and the Court has no
15 evidence in front of it to suggest that this is the case.

17 (B) Fees for the Palm V

18 E-Pass specifically argues that the Palm defendants seek fees
19 which include both permissible products which were the subject of
20 the fee award (the Palm VII, the Zire, Tungsten and Treo products)
21 but also for the Palm V. E-Pass asserts that some portion of these
22 fees attributable to the Palm V must be reduced. However, as more
23 fully discussed above, based on the Federal Circuit's findings, this
24 Court finds that inclusion of fees related to the Palm V is
25 appropriate.

27 (C) Fees for the LifeDrive

1 While this Court did not previously state that fees should be
2 recoverable based on the LifeDrive product, Palm reminds the Court
3 that it found that E-Pass's attempts to belatedly inject this
4 product into the case to be completely inappropriate. E-Pass had
5 never listed the LifeDrive in its complaint or its infringement
6 contentions. Nor did it seek leave of Court to amend these
7 contentions. As the Court held in its November 21, 2006 Order, E-
8 Pass' Motion for Summary Judgment on the LifeDrive was totally
9 without merit. The Court's failure to include the LifeDrive as a
10 permissible product for reimbursement of legal fees was an
11 oversight. The same findings of extraordinariness which apply to
12 the Tungsten, and Treo apply with greater force to the LifeDrive
13 which was added to the litigation by E-Pass in violation of all
14 procedural requirements. Therefore, the Court grants in whole,
15 Palm's request for \$17,351.50 in legal fees related to defense of
16 infringement claims based on the LifeDrive.

19 (D) Fees Related to Invalidity and Unenforceability

20 The Palm defendants seek reimbursement of \$118,819.50 for
21 preparation of submissions on the issues of invalidity and
22 unenforceability. While these arguments are not explicitly
23 authorized by the Court's Order, Palm argues that they were a
24 proximate result of E-Pass' infringement claims.

26 E-Pass counters that both the amount of these fees is
27 extraordinary and that it should be denied as outside the scope of
28

1 the Court's November 2006 Order. The Court never reached the merits
2 of the invalidity and enforceability arguments. Nevertheless, these
3 defenses are part and parcel of the defenses which must be assessed
4 by defense counsel in every claim of patent infringement. The Court
5 sees no reason to exclude the fees simply because the claim was
6 resolved on another ground.
7

8

9 (E) Fees for "Collateral" Matters

10 E-Pass argues the Palm defendants' billing records also reveal
11 that Palm spent time on matters which were collateral to the case,
12 such as seeking to disqualify E-Pass' counsel, and reviewing briefs
13 in related litigation. The Court concurs that these matters are
14 peripheral to the core of the case and grants E-Pass' request to
15 strike \$26,241.50 in fees as outlined in the Weiss Declaration of
16 February 21, 2007.

17

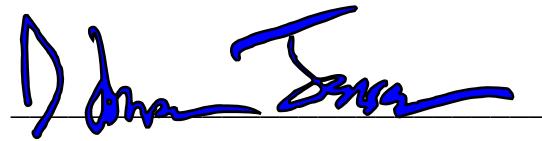
18 (F) Expert-Related Fees

19 E-Pass requests reductions based on its argument that Palm also
20 impermissibly seeks fees related to expert witnesses. As discussed
21 above, Palm is not seeking reimbursement for expert witness fees,
22 rather for fees related to attorney efforts to find and set
23 parameters for potential experts. While E-Pass claims that these
24 efforts were premature, again the Court will not second guess
25 attorney efforts to plan out the litigation strategy for the case.
26

27
28

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1
2
3 ACCORDINGLY:
4
5 The Court, therefore, awards:
6
7 (1) Visa USA \$423,457.21 in attorney fees and \$14,357.45 in
costs;
8
9 (2) Visa International \$423,457.21 in attorney fees and
\$14,357.45 in costs;
10
11 (3) PalmSource \$907,145.32 in fees and \$32,432.57 in costs;
12 fees.
13
14
15 IT IS SO ORDERED
16 Dated: November 14 , 2007
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D. Lowell Jensen
United States District Judge